

**UNITED STATES DEPARTMENT OF AGRICULTURE
GRAIN INSPECTION, PACKERS AND STOCKYARDS
ADMINISTRATION**

**PACKERS AND STOCKYARDS PROGRAM
EASTERN REGIONAL OFFICE
ATLANTA, GEORGIA**

Date of Report:

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Control No.:

223266

Report Made By:

(b) (6), (b) (7)(C)

Investigative Attorney

**KOCH FOODS, INC.
1300 West Higgins Road, Suite 100
Park Ridge, Illinois 60603**

And

**KOCH FARMS OF MISSISSIPPI, LLC, and
KOCH FOODS OF MISSISSIPPI, LLC
1080 River Oaks Drive, Suite A-100
Flowood, Mississippi 39232**

**UNJUST DISCRIMINATION and UNDUE OR UNREASONABLE
PREJUDICE OR DISADVANTAGE**

United States Department of Agriculture
Grain Inspection, Packers and Stockyards Administration
Packers and Stockyards Program (P&SP)
Eastern Regional Office
75 Ted Turner Drive, S.W., Suite 230
Atlanta, GA 30303

Investigative Report

Date of Report	Control Number:	Prepared By:
11/25/2016	223266	(b) (6), (b) (7)(C) Investigative Attorney

RESPONDENTS:

KOCH FOODS, INC.
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Park Ridge, Illinois 60068

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SYNOPSIS OF FACTS:

Carlton Sanders, an African-American poultry/broiler grower who had poultry growing arrangements with Koch Farms of Mississippi, LLC, to grow poultry on his two farms (the Carlton Sanders Farm and the Cory Sanders Farm), alleged that he was being discriminated against by Koch's requirement that he make expensive upgrades and capital improvements to his farms. Mr. Sanders claimed that other poultry growers were not being required to make the upgrades and improvements being required of him.

Investigative Attorney (b) (6), (b) (7)(C) conducted an investigation of Mr. Sanders' allegations from February through November 2016. The investigation disclosed that Carlton Sanders made capital improvements to his two farms in 2014 and 2015, which were financed through loans that he secured from PriorityOne Bank.

In February 2015, Koch notified its broiler growers that Wind Speed and Static Pressure requirements were being increased, and that the new Static Pressure specifications had to be implemented by November 1, 2015. Prior to the November 1, 2015, deadline, Carlton Sanders spoke with (b) (6), (b) (7), a loan officer at PriorityOne Bank. (b) (6), (b) (7) sent an email to (b) (6), (b) (7), a Koch Broiler Manager, stating that they had just spoken on the telephone, and asking (b) (6), (b) (7) to provide him with information about what Sanders was

being required to do by Koch on his farms. (b) (6), received the email from (b) (6), but did not respond to (b) (6) via email, and claimed that he never read he email from (b) (6). (b) (7)

On November 4, 2015, (b) (6), wrote a letter, signed by (b) (6), Koch's Live Production Manager, and by the Koch Service Technician assigned to Sanders' farms, addressed to "To whom it may concern," and provided a list of 23 upgrades for Sanders' two farms. No other poultry growers under contract with Koch received a similar letter. The letter did not state that the 23 upgrades were voluntary on Sanders' part, and contained the word "must" six times. Sanders and a farm worker employed by Sanders state that Sanders was told by Koch managers (b) (6), (b) (7) and (b) (6), (b) (7)(C) that the 23 upgrades were mandatory, and that Sanders would receive no further poultry on his farm until all 23 upgrades were made. (b) (6), PriorityOne Bank, received a copy of the letter and stated that he assumed that was Koch's response to his October 15, 2015, email to (b) (6), (b) (7).

Sanders obtained estimates for the 23 upgrades and submitted them to PriorityOne Bank. Due to the recent loans extended to Sanders for other upgrades, the bank did discouraged Sanders from applying for another loan. Sanders spoke with other Koch broiler growers, who told him that they were not being required to make such expensive upgrades. Sanders reported that the distress that he suffered from this situation resulted in his having cardiovascular trouble, and he decided to quit growing poultry for Koch and to try to obtain a poultry growing arrangement with another poultry company.



Prior to 2010, Koch had contracts with four African-American poultry growers operating a total of six different farms to raise broilers. Currently there are no African-American poultry growers who have a contract with Koch, out of 173 broiler growers.

Entity Response: Koch managers stated that the list of 23 upgrades were delivered to Sanders per Sanders' request, because he expressed an interest in upgrading his two farms so that they met Class A specifications, by which he would be paid a higher average amount of money per pound of live poultry. Koch managers deny that they ever told Sanders that the 23 upgrades were required, and state that Sanders was told that he was required only to increase his Static Pressure to meet the new specifications in order to receive poultry on his farms.